Military Housing Privatization

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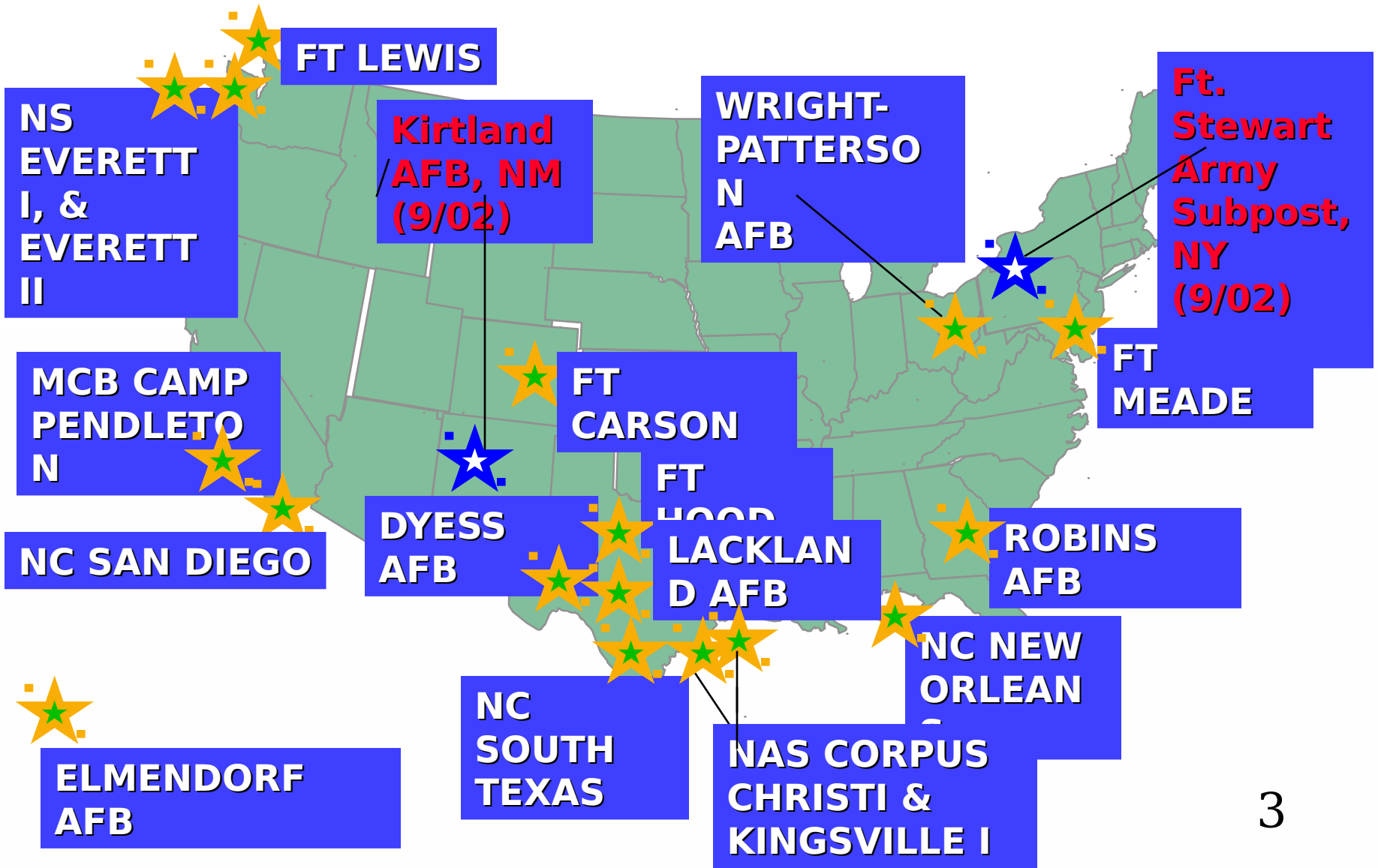
Military Housing Privatization Initiative

- 1996 National Defense Authorization Act signed into law February 10, 1996 -- 5 year pilot
- 2002 National Defense Authorization Act --Congress extended authority to 2012.
- Major tools contained in law
  - Direct Loans
  - Guarantees: Loan, Rent, Occupancy
  - Investments in Non-Governmental Entities
  - Limited Partnerships
  - Sell, Contribute, Convey, or Lease DoD-Owned Property
  - Differential Lease Payments

Housing Privatization Awards = 17 Awards

- with 2 Possible Project awards late FY'02



Financial Criteria

- Valid requirements --
  - **Priority to junior enlisted**
  - **Housing, not commercial development**
- Ensure competition
- Financially justified
  - **Leverage at least 3:1**
  - **Life cycle cost better than Milcon**

MHPI Implementation

- Acceleration of Housing Privatization—new goal --address most inadequate units by 2007
- 17 Service projects to date (over 26,000 units)
- FY 2003 President's Budget – Additional 35,000 privatization units by end of FY'03
- Next Steps
  - Consolidate lessons learned; improve process
  - Widen private sector participation

Whazzup at OSD?

- Protect the program
  - Privatization under attack
  - Address Congressional concerns
  - Try to be more privatized
- Devil's in the Details
  - Schools
  - Household goods
  - Trailers
  - Rent payment

Whazzup continued……

- Improve the Projects
  - More Private sector participation
  - “Loeb” multi-tiered loans
  - Balance flexibility and out-year commitment
- Privatize Barracks
  - Define barracks and the problem
  - Don’t threaten family housing projects
  - Alternative options
- Monitor execution
  - Good – “Sikes” housing ; Bad – “Franklin” housing

Housing Privatization

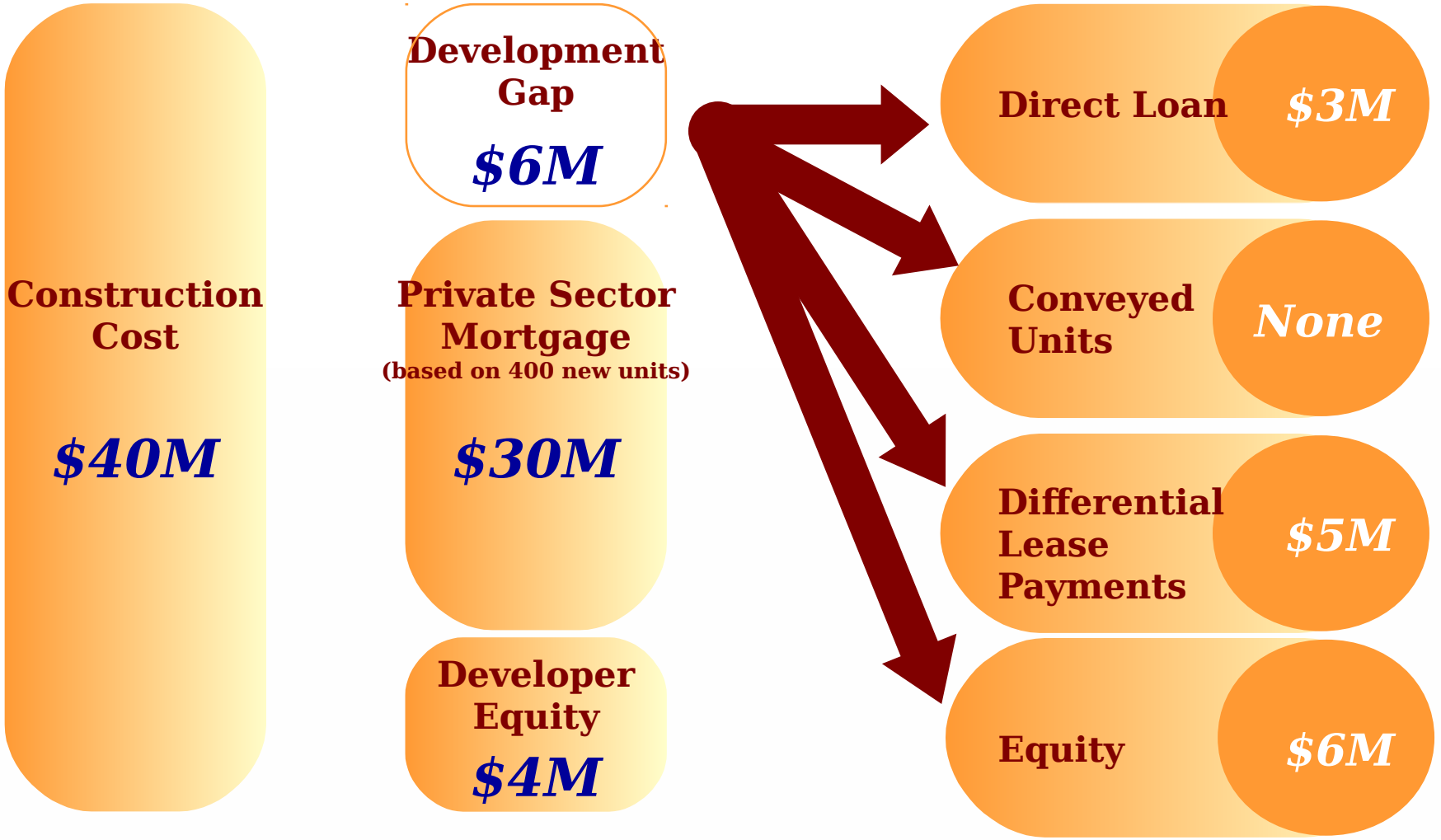
Visit our ODUSD (I&E) Military Housing Privatization website:

www.defenselink.mil/acq/installation/hrso

Housing Privatization

BACK-UP SLIDES

Financial Development Gap



Privatization Principles

I. Project Scope and Government Subsidy

Specific scope for minimal government subsidy.

II. Government Control

Protect government interest without participation in management.

III. Private Sector Ownership and Control

Private sector owns property. Servicemembers are private tenants who must be attracted to live in

Privatization Principles… continued

IV. Private Sector Bears Financial Risk

Developer responsible for all market risk. Government minimizes controls which create financial risk to the project.

V. Competition

Maximize competition on price and product for duration of project.